

World Agriculture & Trade



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U.S. Agricultural Exports Forecast to Rise in Fiscal 2002

U.S. agricultural exports will increase in value for the third consecutive year in fiscal 2002, according to USDA projections. Exports are expected to rise to \$57 billion, 6.5 percent above fiscal 2001. Much of the gain is from exports of corn (up \$1.4 billion), wheat (up \$700 million), soybeans (up \$400 million), and cotton (up \$200 million), the major bulk commodities. Record exports of horticultural products, such as fruits and vegetables, also are projected. Higher prices of wheat, corn, and soybeans account for much of the gain in export value. However, prices of cotton have declined sharply since early 2001.

Substantial gains are forecast in bulk commodity export volume, which will rise 9 million tons to 119.3 million tons, the highest since fiscal year 1996. Corn volume is projected up 5.5 million tons, wheat volume up 2.9 million tons, and cotton volume up 400,000 tons. Forecast soybean volume is unchanged from the record level of 2001.

U.S. agricultural imports also are expected to rise to \$39 billion, \$500 million above the downturn in 2001. But this gain is much more modest than increases in recent years, as the slowdown in U.S. economic growth continues to affect import growth

in 2002. Most of the increase in imports is projected to be in horticultural products, such as malt beverages, nuts, and vegetables. Both volume and value are forecast to increase for these commodities, which tend to respond to growth in per capita U.S. incomes. Most U.S. horticultural imports come from Canada and Mexico.

The U.S. agricultural export surplus is forecast at \$18 billion, 20 percent above 2001, and the largest since fiscal 1997. Nevertheless, it is still well below the record surplus of \$27.4 billion in fiscal 1996.

Exports of bulk commodities—wheat, rice, coarse grains, soybeans, cotton, and tobacco—are projected to account for 36 percent of total U.S. agricultural exports, compared with 33 percent in 2001. The share of high-value product (HVP) exports is expected to contract to 64 percent from 67 percent in 2001, despite gains in HVP exports. In 2001, HVPs

This is the initial forecast of agricultural exports for fiscal 2002 (released August 31, 2001). Bulk commodities include wheat, rice, feed grains, soybeans, cotton, and tobacco. High-value products (HVPs) comprise total exports minus bulk commodities. HVPs include semi-processed and processed grains and oilseeds (e.g., soybean meal and oil), animals and animal products, horticultural products, and sugar and tropical products. A breakout of U.S. agricultural exports and imports by major commodity group—both volume and value—for 1999-2002 is included in appendix table 27.

again accounted for all the gain in exports over 2000, but a greater recovery is forecast for bulk product exports in 2002.

Global economic growth in 2001 has been slowed substantially by the economic downturn in the U.S. A gradual recovery in both world and U.S. growth is anticipated for 2002. Among developed economies, the U.S. and the European Union (EU) each expect gross domestic product (GDP) growth of about 2.5 percent in 2002; this contrasts with the 1.5 and 1.8 percent growth expected in 2001. GDP growth in Japan may remain below 1 percent in 2002. Stronger growth is projected in developing countries in 2002, increasing to 4.5 percent from 3.6 percent in 2001. Growth in Asia will reflect mainly the strength of the economies in China and India, although some gain is expected in other countries. In Latin America, Argentina and Mexico are likely to be the most dependent on U.S. recovery because the Argentine exchange rate is pegged to the U.S. dollar and most of Mexico's trade is with the U.S. A deceleration also occurred in growth in the economies of transition countries in 2001, but these countries are expected to rebound in 2002 as they continue recovering from a decade of faltering and negative growth.

The short-term outlook for the dollar remains strong, despite significantly lower U.S. interest rates. The strong dollar encouraged U.S. import growth and made U.S. agricultural exports less competitive in 2001. With the general slowdown in the U.S. economy in 2001, and continued low domestic inflation expected in 2002, U.S. real interest rates are likely to remain high, slowing export growth and strengthening imports in 2002.

Bulk Exports Gain in Both Volume & Value

Bulk commodity exports are projected at \$20.4 billion and 119.3 million tons for 2002, well above 2001 levels. The gain in

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U.S. Agricultural Exports to Mark Third Consecutive Gain

Commodity	1997	1998	1999	2000	2001F	2002P
\$ billion						
Grains and feeds ¹	16.5	14.1	14.4	13.9	13.8	16.0
Oilseeds and products	11.5	11.2	8.7	8.5	8.9	9.7
Livestock products	7.7	7.6	7.2	8.6	9.2	9.2
Poultry and products	2.9	2.7	2.1	2.3	2.5	2.5
Dairy products	0.8	0.9	0.9	1.0	1.1	1.1
Tobacco, unmanufactured	1.6	1.4	1.4	1.2	1.1	1.2
Cotton and linters	2.7	2.5	1.3	1.8	2.1	2.3
Seeds	0.8	0.8	0.8	0.8	0.8	0.8
Horticultural products	10.6	10.3	10.3	10.5	11.3	11.6
Sugar and tropical products	2.1	2.1	2.1	2.3	2.6	2.6
Total value ²	57.4	53.7	49.2	50.9	53.5	57.0

Fiscal years. 2001 forecast; 2002 projected. Based on commodity forecasts in August 10, 2001 *World Agricultural Supply and Demand Estimates*.

1. Includes pulses and processed grain products. 2. Includes a small amount of miscellaneous products not elsewhere specified.

Economic Research Service, USDA

value reflects higher prices for wheat, corn, and soybeans. Higher prices are supported by expectations for smaller U.S. crops of wheat and corn and strengthening global demand.

Corn accounts for about 60 percent of the projected gain in bulk export volume. Exports of other coarse grains are expected to remain about the same as in 2001. Less corn export competition, particularly from China, is anticipated in 2002 due to current drought conditions there. China is likely to produce its second consecutive smaller corn harvest. Global consumption is expected to outpace production, as U.S. use expands. U.S. corn exports are projected at \$5.7 billion and 51.5 million tons.

The smaller U.S. wheat crop will raise wheat prices. Wheat and flour exports are projected at \$4.2 billion, up \$700 million. But, U.S. wheat export volume will also rise, reflecting smaller exportable supplies from Canada, the EU, and Australia and global consumption that will exceed production for the third consecutive year.

U.S. rice exports are projected at about \$700 million and 3.1 million tons, up slightly in volume from 2001. A larger U.S. crop reduces U.S. prices, making U.S. exports more competitive. Substantial global supplies also are expected to weaken world prices and keep export competition relatively strong.

China continues to be a major factor behind expected gains in soybean exports in 2002. China's 2002 soybean imports

are forecast up another 1.3 million tons or 10 percent. The U.S. will be able to take advantage of the gain because U.S. soybean production is projected to expand by 2.66 million tons, exceeding the expected production growth in South America. U.S. soybean export volume is unchanged from 2001's record 27.1 million tons. These exports are valued at \$5.6 billion, up \$400 million as prices also rise slightly, due to strengthening demand.

U.S. exports of cotton are forecast to increase in volume, but weak prices will hold down gains in value in 2002. Prices already are off sharply from 2001, reflecting record forecasts for U.S. and world production and prospects for larger ending stocks. Global demand is expected to strengthen somewhat, as world economic growth rebounds from the 2001 slowdown.

Growth in HVP Exports Slows in 2002

U.S. HVP exports in 2002 are projected to rise \$500 million to \$36.6 billion. However, expected growth in HVP exports is modest compared with bulk exports. Horticultural products will reach a record \$11.6 billion, up \$300 million from 2001, while soybean oil exports will rise \$200 million to \$500 million, and projected livestock, dairy, and poultry exports will remain unchanged from 2001's record \$12.8 billion.

The increase in horticultural product exports comes from gains—of \$100 million each—projected for exports of fruits, vegetables, and tree nuts. Continued

strong demand in Canada, Mexico, and some Asian countries, reflecting expected economic expansion, is responsible for the growth of fruit and vegetable exports. Large gains in walnut and almond production, along with demand growth in Asia and the Middle East, support expansion of nut exports.

The \$200-million boost in 2002 U.S. soybean oil exports reflects expanding soybean oil demand, slowing growth of foreign vegetable oil supplies, and large U.S. stocks. World production of major competing oils—rapeseed oil and sunflowerseed oil—is expected to decline in 2002. Although still growing, growth in palm oil production is forecast to be only half as large as in recent years. Consequently, a larger share of the still-expanding global demand for vegetable oils will be met by soybean oil exports next year.

Expected expansion in 2002 U.S. beef exports reflects prospects for slightly higher prices, as well as slightly larger shipments. Asian and North American markets both are likely to continue strong demand for U.S. beef. Pork exports, however, are forecast to decline slightly, as competition from Canada and the EU rises. An expected drop in cattle slaughter will push hide exports down slightly, as well. Exports of poultry meat are forecast unchanged from 2001, as demand in Russia, China, and Mexico remains strong.



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